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SUBJECT: BRAZIL: UPDATE ON THE PROPOSED TROPICAL FOREST CONSERVATION ACT (TFCA) PROGRAM

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¶1. (SBU) SUMMARY. A recommendation to proceed with creation of a program under the Tropical Forest Conservation Act (TFCA) is being considered at the highest levels of the Ministry of External Relations (MRE). The Environment Ministry, the environmental community, and the Embassy have been urging - and will continue to press - for a response from the MRE soon. Embassy believes that in the end the MRE will give a positive response. In addition, the Brazilians may well suggest renewed consideration of their proposal to include the entire debt in the TFCA program and not just US\$20 million now on the table. END SUMMARY

¶2. (SBU) After extended internal debate and ironing out technical issues, the proposal to establish a Tropical Forest Conservation Act (TFCA) program in Brazil is before the Deputy Minister of External Relations (MRE) Samuel Guimaraes, according to the MRE's Director of the Environment Department, Ambassador Luiz Figueiredo Machado. The Vice Minister of the Environment, Izabella Teixeira, is pushing forcefully for creating a TFCA program and the MRE - at the working level - and the Finance Ministry support. The three ministries have hammered out an arrangement with FUNBIO, a well-respected non-governmental, environmental financing entity, to assist in implementation of the program. Figueiredo Machado and his deputy, Fernando Coimbra, the Director of the MRE's Environment Division, have told the Embassy that the MRE (at least at their level) is in favor of concluding the agreement and going forward with creating a TFCA program.

¶3. (SBU) The Environment Ministry is very frustrated the MRE's slow pace, according to Fernando Lyrio, the Director of the International Affairs Office. Moreover, the environmental community is impatient too. In a letter dated August 12, an environmental coalition group called the "Pact to Restore the Atlantic Forest" wrote to Environment Minister Carlos Minc calling for urgent action on the TFCA proposal. This Pact includes 123 organizations, including the Environment Secretariats of five coastal states (e.g., Sao Paulo and Rio de Janeiro), and 13 large businesses (e.g., Vale and Citibank). A copy of this letter has also been sent to Minister of External Relations Celso Amorim. According to Lyrio, Environment Vice Minister Teixeira plans to redouble her efforts to persuade the MRE to make a favorable decision now and delay no further.

AMOUNT OF THE DEBT TO BE INCLUDED IN THE PROGRAM

¶4. (SBU) In the negotiations during 2008, the Brazilians had pressed for including all of the outstanding debt to the USG in the TFCA program. The USG offered US\$20 million of the debt and a willingness to consider a proposal for a second tranche, possibly for the entire balance. Now, that the debt has been reduced through payments, it is likely the Brazilians will renew their request for including all of the debt within the TFCA program and not just the

US\$20 million. Embassy would be supportive of such a proposal, since the additional amount is shrinking rapidly and, thus, should not pose a significantly greater financial burden for the USG. At the same time, agreeing to convert the entire debt would get more of a positive response from the Brazilian Government and the Brazilian public than a limited US\$20 million amount with a possibility of more in the future. Finally, any additional funding would be put to good use. There is no shortage of excellent possibilities for conserving tropical forests in Brazil.

¶5. (SBU) COMMENT. Embassy will continue to press the MRE and other interested ministries and parties to respond soon and positively to the proposal for a TFCA program in Brazil. In the end, the Embassy expects that the MRE will give a green light for a TFCA program and so encourages Washington now to start taking a second look at including the entire debt rather than going through two or more tranches. END COMMENT.

KUBISKE